

Message Text

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PAGE 01 KADUNA 01003 020952Z
ACTION AF-10

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FM AMCONSUL KADUNA
TO SECSTATE WASHDC 4116
INFO AMEMBASSY LAGOS

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E.O. 11652: NA
TAGS: EFIN, EINV, EGEN, NI
SUBJECT: OPENING OF NIGERIAN STOCK EXCHANGE, KADUNA

BEGIN UNCLASSIFIED. SUMMARY: THE KADUNA BRANCH OF THE NIGERIAN STOCK EXCHANGE OPENED JULY 29, 1978, WITH STOCK EXCHANGE PRESIDENT S.O. ASABIA, AND MALLAM ADAMU CIROMA, FORMER GOVERNOR OF THE CENTRAL BANK, PRESIDING. SPEAKERS EMPHASIZED THE NATIONAL CHARACTER OF STOCK EXCHANGE AND LIMITED BUSINESS ANTICIPATED IN THE MONTHS AHEAD. IT APPEARS THAT SUCCESS OF FUTURE STATE GOVERNMENT AND STATUTORY CORPORATION BOND ISSUES WILL BE KEY TO SUCCESS FOR THE EXCHANGE. END SUMMARY.

1. ON TUESDAY, JULY 29, COMMERCIAL OFFICER ATTENDED THE GRAND OPENING OF THE KADUNA BRANCH OF THE NIGERIAN STOCK EXCHANGE, FORMERLY THE LAGOS STOCK EXCHANGE. THE KADUNA BRANCH WILL BE THE THIRD IN THE COUNTRY AND THE FIRST IN THE NORTH THUS ADDING A MORE NATIONAL CHARACTER TO THE EXCHANGE. THE OTHER TWO BRANCHES ARE LOCATED IN LAGOS AND PORT HARCOURT. S.O. ASABIA, THE PRESIDENT OF THE EXCHANGE, PREDICTED THAT BUSINESS AT KADUNA BRANCH WILL BE SOMEWHAT LIMITED IN ITS INITIAL STAGES OF OPERATION DUE TO THE TIME IT WILL TAKE TO

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ESTABLISH STOCKBROKERS, ISSUING HOUSES, REGISTRARS AND OTHER FUNCTIONARIES NEEDED TO PROVIDE ADVICE AND SERVICES IN THE PREPARATION OF NEW ISSUES. (ALTHOUGH ASABIA DID NOT MENTION IT, LACK OF RELIABLE, FAST COMMUNICATION WITH LAGOS WILL ALSO BE A PROBLEM. ONE MEMBER OF EXCHANGE SAID THAT LOCAL OFFICE WILL DEPEND ON OFTEN UNRELIABLE NORTHERN NIGERIAN

DEVELOPMENT CORPORATION TELEX.) HE ALSO SAID THE BRANCH WILL BE DEPENDENT UPON THE WILLINGNESS OF THE INVESTING PUBLIC TO BUY AND SELL STOCKS AT KADUNA RATHER THAN LAGOS.

2. ASABIA ALSO NOTED THE FEDERAL GOVERNMENT HAS ACCEPTED THE RECOMMENDATION OF IE FINANCIAL SYSTEM REVIEW PANEL THAT STATE GOVERNMENTS AND STATUTORY CORPORATIONS SHOULD RAISE MONEY IN THE CAPITAL MARKET THROUGH BOND ISSUES. HE STRESSED THE FIRST STEP TOWARD MAKING THIS SUGGESTION A WORKABLE REALITY WILL BE THE DEVELOPMENT OF A VIABLE EXCHANGE MARKET IN NIGERIA. SUCH A MARKET WILL BE CRUCIAL TO CREATE PUBLIC CONFIDENCE NECESSARY TO RAISE CAPITAL THROUGH BONDS.

3. REVIEWING THE HISTORY OF THE EXCHANGE, ASABIA SAID A TOTAL OF MORE THAN 15 MILLION NAIRA WAS PUT THROUGH THE MARKET IN 1961, DURING THE FIRST FULL OPERATING YEAR. AS OF JULY 15, 1978 THERE WERE 49 GOVERNMENT STOCKS, 8 INDUSTRIAL LOAN STOCKS AND 39 EQUITY STOCKS LISTED ON THE EXCHANGE WITH MARKET CAPITALIZATION OF ABOUT 2.3 BILLION NAIRA. BY 1977 THE TOTAL AMOUNT RAISED THROUGH THE STOCK EXCHANGE WAS ABOUT 881 MILLION NAIRA AND TRADING INCREASED FROM 81 MILLION NAIRA IN 1976 TO ABOUT 156 MILLION NAIRA IN 1977.

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4. DURING THE FIRST QUARTER OF 1978 THE EXCHANGE RECORDED A TURNOVER OF ALMOST 71 MILLION NAIRA AND 21 NEW COMPANIES WERE RECENTLY APPROVED FOR ADMISSION INTO THE OFFICIAL LIST OF THE EXCHANGE.

5. IN HIS SPEECH MALLAM ADAMU CIROMA, FORMER GOVERNOR OF THE CENTRAL BANK, POINTED OUT VERY FEW NIGERIANS
E
ARE ABLE TO UNDERSTAND THE COMPLEXITIES OF THE STOCK EXCHANGE AND CAUTIONED EXCHANGE OFFICIALS TO LIMIT THE USE OF TECHNICAL LANGUAGE, RECOMMENDING ADAPTION OF A NIGERIAN LANGUAGE IN CARRYING OUT TRANSACTIONS BECAUSE IT WILL BE UNDERSTOOD BY THE PUBLIC AT LARGE.

6. A BUSINESSMAN WHO WAS IN ATTENDANCE AT THE GRAND OPENING, AND WHO HAS BEEN ACTIVELY INVOLVED IN THE STOCK EXCHANGE SINCE ITS INCEPTION, SAID THAT A MAJOR PROBLEM WITH THE EXCHANGE IS THAT EVERYONE WANTS TO BUY AND NO ONE WANTS TO SELL. THE RESULT IS A LOW VOLUME OF TRADING AND INDIVIDUALS SUCH AS HIMSELF HAVE BEEN UNABLE TO ACCUMULATE LARGE HOLDINGS IN SINGLE CORPORATIONS.
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7. COMMENT: WITH FEDERAL BUDGET ALLOCATIONS TO THE STATES AND STATUTORY CORPORATIONS SHRINKING, THERE WILL BE INCREASED DEMANDS ON THE LOCAL CAPITAL MARKET. PRESUMABLY THE EXPANSION OF THE KADUNA BRANCH OF THE NIGERIAN STOCK EXCHANGE IS AIMED AT TAPPING POTENTIAL SOURCES OF CAPITAL IN THE NORTH. LAYING ASIDE THE FANFARE AND VIP'S

T THE OPENING AND LOOKING CAREFULLY AT THE PRACTICAL PROBLEMS OF THE BRANCH EXCHANGE IN KADUNA, WZ

DESLIBLY AT IT WILL BE ABLE TO PROVIDE THE FACILITIES OR THE CONFIDENCE REQUIRED TO HAVE A VIABLE EXCHANGE FOR STOCK LIMITED OFFICIAL USE

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S AND BONDS HERE IN THE NEAR FUTURE.
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